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FROM

By Exchange





**PUBLIUS**

**ON**

**BANKING:**

**OR,**

**THE MONEY-CHANGERS' TABLES**

**OVERTHROWN.**

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**NEW-YORK:**  
**PRINTED FOR THE AUTHOR.**  
**1849.**

William S. Samuelson

Ex. 100, 100



*By exchange*

**TO**  
**THE PEOPLE OF THE UNITED STATES,**  
**AND MORE ESPECIALLY TO**  
**THE PEOPLE OF THE STATE OF NEW-YORK,**  
**THESE LETTERS ON FINANCE,**  
**ARE MOST RESPECTFULLY SUBMITTED, FOR YOUR DELIBERATE**  
**PERUSAL.**

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**THAT** the present banking system of all the States is a fraud on the people, and in its operations, corrupting the people's morals, all honest men of intelligence must admit.

**That** the United States, State and City corporation bonds, should not be sold in foreign countries, your intelligence will dictate, as in that case you must pay interest to the foreign bondholder, and thus compel the nation to pay tribute, whereas the people of the United States are abundantly able to hold such stocks, and receive the interest.

**When** the income from the State Works will pay the interest of the State's indebtedness, such stocks should be taken as collateral security for the redemption of the circulating medium, but generally City Corporation Stocks should have the preference, such stocks being more solvent, as personal property is made holden for such indebtedness.

**The** people have but to will, and the whole circulating medium of the United States may be secured with United States, State and City Corporation Stocks, thus creating a home demand for these stocks, which will eventually reduce the rate of interests as they may be required for collateral security.

**And as Christ overthrew the money-changers' ta-**



bles, so let the people of the United States form new societies of that class, who will advocate moral honesty, and thus control the operations of the human family, through a financial system that shall raise up and enlighten future generations.

SAMUEL B. WILLIAMS.

*New-York, January 1st, 1849.*

From the Herald, 3d March, 1848.

### LETTER I.

It would appear by Mr. Albert Gallatin's remarks on the banking system of this State, as addressed to Mr. Fillmore, in his official capacity as Comptroller, that he labors under some false views, as to the people of this State not understanding their financial system. Although he admits the fact, that he has been closely connected with the monopoly system for the past fifty years, I am prepared to show that such persons, drawing all their views from external appearance, not possessing internal knowledge, are by far the most dangerous persons we have in the community.

He goes on to state, that bills of circulation of twenty dollars require no deposit security, as such bills only fall into the hands of parties in the close monopoly combination, and that they are sufficiently informed to protect their interest.

He then recommends a prohibition of the issue of bills of ten dollars and under. Who ever saw or heard of bills of the denomination of nineteen dollars for a circulating medium?

And again, as to the learned financier having for the past fifty years been in the employ of close monopolies, not to have known that by the law of this state, no foreign state monopoly bills under five dollars are allowed to circulate as money in this State.

Would it not be advisable, first to carry into effect our present law, before we make new ones, to suppress the issue of small bills by our institutions giving security for the redemption of the same. I really think that the gentleman's remarks on finance scarcely worthy of notice, after so much has been said on this subject, and printed, too; but further, he appeals to the Constitution of the United States, as to gold and silver being the only legal tender in payment of debts. Does not that instrument also say that no State shall issue bills of credit, particularly as for a circulating medium.

PUBLIUS.

From the Evening Post, 27th March.

## LETTER II.

**USURY.**—To a Borrowing Merchant.—(See Journal of Commerce of 15th March.)—That the great mass should be at issue on the law of usury, I am not at all surprised, for very few give attention to this subject, and these few are too apt to draw inferences from present positions, without looking for the basis. If you create artificial institutions or persons, it becomes necessary to make laws to govern their operations: and as we have so many of the kind now in existence, it must be by a slow process that the evil can be eradicated.

I will venture to say that if you had this day one hundred thousand dollars, it would require all of your abilities, sagacity and exertions to realize a nett seven per cent. interest by the end of the year; or, in other words, no legitimate business will afford to pay more than that rate.

Should you be in want of loans at a higher rate of interest, after taking your paper from Maine to Mexico and finding it refused, would it require much time or expense to negotiate your paper at Jersey City, provided the laws of New Jersey would allow a higher rate of interest, in order to draw capital to that state?

As there is but about one hundred million of specie in this country, suppose that the whole of this specie was the property of and under the control of the Rothschilds, would you grant them the privilege of charging the banks one hundred per cent. interest, for the small amount of specie the banks require in their business transactions? For I hold that all banks must first borrow before they can lend, and yet I am of the opinion that they could better afford to pay the one hundred per cent. for the amount they require, than your business could seven per cent.

I am of opinion that the free banking system of

this state, in the course of time, will be able to overcome the difficulty, and as the state becomes a borrower, let every one who may wish to negotiate a circulating medium become a state financier by hypothecating the state stock and issuing his bills of circulation, and as competition creates action, I have no doubt but John Jacob Astor's paper will then readily command funds at seven per cent.

I am, &c.,

PUBLIUS.

[Communicated for the Morning Star, 1st April.]

## LETTER III.

### BANK REFORM.

HON. ALLEN AYRAULT, of the Senate Finance Committee, State of New York.

SIR—Self-preservation requires eternal vigilance. No delegated power should be appropriated to selfish motives, or personal aggrandizement; the welfare of the people, and the improvement of the State, should receive every honest exertion.

We have at this time a general banking law, which answers very well. But any improvement of that law would certainly be acceptable. I would suggest the propriety of organizing a Treasury system in this State, similar to that of the general government.—Let the treasurer and sub-agent pay out no bills of a circulating medium, but that class of paper secured wholly by this State stock. This course would assist the State financiers in negotiating the sale of State stock.

Your bank bill, now before the Senate, deprives the bill-holders of that security they now enjoy under the present law. The term Bank (or odor of nationality, as the great expounder of the Constitution would say) applied to an institution, gives no vitality

or responsibility. The day has passed when such terms will enable an institution to borrow; for I hold that all Banks must first borrow before they can lend.

The people are well informed on the subject of banks and banking; for even the market-women, having been so often swindled by such institutions, now discard all bank paper, and place their sole reliance on specie, and hoard the same. This will always be the case, so long as you create such swindling institutions. The State that gives the strongest secured circulation, will eventually overthrow all other systems.

A co-partnership of well-known, responsible and honest men, located in Wall street, could borrow deposits, and discount business paper, as well without, as with, the term bank attached to their firm. The present law allows all persons to negotiate a circulating medium, by depositing their state stock with the Comptroller, and I would permit them to do so, *without regard to any particular amount.* The nature of the business will determine the amount by their ability to negotiate a circulation, or by the profits resulting from the same. Then, by opening an interest account with the firm in Wall street, your Millers, Manufacturers, Drovers, Butchers, and all classes circulating a credit (or paper money,) would find it much cheaper raising funds than the present mode of paying even seven per cent. interest. Under this state of transactions you would no longer hear the outcry raised against the usury law. The external views, mechanical ideas, and arbitrary conclusions of the editors of the *Journal of Commerce* on usury, must yet succumb to internal knowledge.

I am, &c.,

PUBLIUS.

From the Day-Book, April 11th.

## LETTER IV.

### DEPOSIT SYSTEM AND ITS OPERATION ON DEPOSITORS.

To all Merchants making deposits in Banking Institutions.

The cry is so often raised against excessive shaves or discounts paid on business paper sold in the street, that it would appear to be a bar to an appeal to the Legislature to repeal the present usury law; yet, strange as it may appear, we see the same aggrieved parties in favor of the repeal of the said law, under, as I believe, a false impression, that the usury laws are an impediment to their obtaining loans at a less rate of interest. Now, if these same merchants would but reflect, they will see that the vital or active means of these banking institutions come from their own deposits; for every merchant must be fully aware that our present banks are only able to make discounts on the deposits of their customers.

If they would but look at the return statements, or bank reports, and from the discounts made to the depositors, subtract the deposits on hand, they will observe the very small amount of accommodation the depositors receive from the capital of the banks, in comparison to the amount received by the directors of these institutions.

And again, what are the so-called "cash items," but loans made to directors on stocks, or their "notes, at call."

The directors understand their interest too well, to borrow the funds of the institution at the rate of six or seven per cent., merely for the welfare of the stockholders, by keeping the capital of the bank on interest. More probably, the funds are taken from the banks before the discount is passed to their credit, and possibly for the same paper that they have bought in the street at from one to two per

cent. per month. Brokers deposits would be like carrying warming pans to the West Indies. They will trust the banks with their deposits as many nights as they please, but no days.

Why complain of the excessive "shaves" paid in the street on your business paper, when I will venture to say, you never kept a bank account, when you did not pay at least fourteen per cent. interest, on all the funds borrowed from that institution?

Let the depositors in the banks cast interest on their deposits for the last six months, and see if the difference of interest (check book,) will not amount to fourteen per cent. on their discounts.

Withdraw your deposits from the banks, and form new associations in which to place the same, and you will soon find your interest account will not exceed six to seven per cent.

PUBLIUS.

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From the Day-Book, April 19th.

## LETTER V.

The Legislature of this State having adjourned, we may now examine their proceedings, and see how far their acts, for good or for evil, may effect the currency, or the Banking system.

The stock of the State of New-York is the safest in the world for permanent investments. The Canal produces a nett revenue from freights (which we pay on our daily bread) of more than three million of dollars, which is appropriated to the payment of the interest on the State debt and of the whole of the Government expenses—besides five hundred thousand dollars for the purposes of Education, Schools and Seminaries, and an annual surplus of one million of dollars to the sinking fund in

payment of the whole State debt of twenty-four million of dollars.

This stock being so desirable for investments, we have deemed it the most solvent for the security of our circulating medium, and by an act amendatory to the general banking law—all New-York State stock, hereafter deposited with the Comptroller, as security for the circulating medium, is to be a six per cent stock, or sufficient stock in amount to produce an income of six per cent interest. The Act to regulate the issues of the Safety Fund Banks, also allows all Banks with a capital of two hundred thousand dollars and upwards, to issue a circulating medium to the amount of their capital by giving corresponding security for their increased circulation.

As this State sustains a circulation of twenty-seven million of dollars, and as we have less than twenty-four million of stock, the question very properly will arise—"Why refuse the stock of the General Government as security for the circulation?"

I never have known of a petition to the Legislature to receive such stock as security for the circulating medium, having been refused. To ingraft that provision on the general banking law, might place more of that stock in the hands of the Comptroller, than would be advantageous to the stock of this State or beneficial to the interest of the people.

Let us first call home all the stock of this State, only eight million of which is now in the hands of the Comptroller as security for the circulation of the free Banks. And why not make the Safety Fund Banks give like security for their seventeen million of circulation?

As all parties are interested in the State debt, they should compel the Banks to give this security, in order to reduce the rate of interest on the State stock, for it will be readily perceived the demand for this State stock will be so great that a stock paying three per cent. interest will command par value.



The Constitution requires the Legislature to provide this security, and also makes stockholders personally liable for the circulation of the banks after the 1st of January, 1850.

Although the Safety Fund Banks enjoy great advantages over the free Banks, still, with the position which this State holds over the currency and exchanges of the Union, an association may be formed under our general banking law, (and, if desirable, with the "odor of nationality,") not only able to control the currency of the United States, but the Exchanges of the world.

Too long have we paid tribute to Great Britain; for she actually rules the exchanges of the world. Not a cargo do we purchase in the ports on the Pacific, or in China, that does not pay a commission, (in the shape of letters of credit,) to some discarded member of foreign society, located in this country, as an agent for some house in England, the solvency of which is sustained by a rotten government on the verge of a £900,000,000 sterling bankruptcy,

Let us throw off this British moneyed yoke, and make our financial system as independent as our government. France will be with us and Russia will second the movement.

PUBLIUS.

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From the Day-Book.

## LETTER VI.

### BANKS AND CURRENCY.

Eternal praise to those honest Senators who defeated Mr. Ayrault's bank bill, of ten per cent security for a circulating medium. Had the Legislature required the Safety Fund Banks to give security for their seventeen million of circulation, the people would have placed more confidence in

their bills, and by so doing the bank circulation would have been increased, instead of being diminished as is the case now, whenever specie is required for export.

The people of the State, not appreciating the advantage of a reduction of the interest on the State stock, I would suggest to the city tax-payers, the propriety of so amending the general banking law, that the Croton water loan or City stock shall be given as security for the circulation of the City Banks. This would create a home demand for that stock, and eventually the interest could be reduced to three per cent.

The merchants should also endeavor to reduce the interest on the city debt, and as they so often complain of the illiberality of the banks, I am somewhat astonished that they do not form new associations, particularly as they must often have observed some neighbor, who, though apparently doing so little business that he would of necessity rust out, if not wealthy, but who being a BANK DIRECTOR, has been the frequent purchaser of their "business paper," probably through a broker, at from 1 to 2 per cent. And do you suppose that he holds that paper until maturity? Not at all,—for he keeps a bank account, and as a director, certainly he would be entitled to accommodations equal with others. But he goes further, and often makes use of third parties, by passing their paper for discount, and then dividing the profits on the same paper which had been previously bought in the street at from 1 to 2 per cent per month interest. In this way you are deprived of a large portion of your profits, while your neighbor, the bank director, laughs in his sleeve at your excessive *inexperience*. To show the impossibility of the bank's affording further facilities than their abilities will enable them to do, I would call attention to the statement of three of the banks, viz: Quarterly reports of the Mechanics' Bank—Bank of New-York—and the Bank

of America, showing the true condition of their liabilities, and resources on the fourth of March 1848, as sworn to by the officers of these institutions before a Commissioner :

## RESOURCES.

Loans and discounts to their depositors,	\$7,338,233 09
Less their deposits,	4,074,570 40
	<hr/>
	\$3,263,662 69
Loans to Directors,	489,940 92
"          "          on Stocks and Notes at call,	
termed cash items,	829,094 07
Loans to brokers on Stocks and Bonds and Mort-	
gages,	325,830 61
Real Estate, (banking houses,)	359,190 65
	<hr/>
	\$5,267,718 94

## LIABILITIES.

Capital Stock,	\$4,441,200 00
Profits undivided, less expenses	
and over drafts,	661,099 68
Unpaid dividends,	34,120 73
	<hr/>
	5,136,420 41
	<hr/>
Loans and Discounts over Capital and profit,	\$131,298 53
Specie on hand,	1,566,526 78
	<hr/>
	\$1,697,825 31

## LIABILITIES.

Circulation [ <i>borrowed from the</i>	
<i>people,</i> ]	\$1,034,965 44
Borrowed from banks,	662,859 87
	<hr/>
	\$1,697,825 31

Let one hundred persons form an association, and appoint twelve committees of eight members each, one committee for each month, who shall give attention to the affairs of the bank during their particular month. Also four yearly financiers who shall act with the committees at all times, and the whole one hundred stockholders as a general board of directors.

Then draw your notes on six months' time, for one thousand dollars each, let the financiers negotiate the same and provide security for the Comptroller as collateral for your circulation, you will then obtain the paper money four months before your notes mature, together with a receipt from the financiers, in the shape of Bank Stock, to the amount of the notes.

It is true you must then keep out your circulation, and, if you like, increase the same, as fast as you can drive in the non-secured paper medium of other institutions.

The directors of the close monopoly institutions are fully aware that the solvency of their assets depends on the formation of new institutions. An exhibition of their assets in manner and form, like that made by the Manhattan Bank of the assets of that institution (at the time Mr. Thompson superseded Mr. White as President) would show the solvency of their assets to be equal to those of the United States Bank at the time of its destruction.

PUBLIUS.

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From the Evening Post, June 10th.

## LETTER VII.

### BANKS AND CURRENCY.

Specie still flows from our shores. Why this drain of the precious metals, and what will be the result?

The credit system of the world's civilization having been based on false premises, the present revolution of the European governments, and the general destruction of the organization of civilized society—annihilating all monopolies, and destroying confidence—throwing men upon their individual resources, and thus hoarding the precious metals.

**The Constitution of the United States recognises no other money than gold and silver coin. The Constitution of the State of New-York adopts the same features, expressly prohibiting the suspension of specie payments by any bank or banking association, for their liabilities.**

**The result necessarily must be a contraction of the circulating paper money, and finally a general suspension of specie payments by the banks throughout the United States, and this through the bill-holders' want of confidence in the banks being able to meet their liabilities.**

**The loan of the government of the United States should not go abroad seeking purchasers, National pride should have some bearing on this subject. Why pay tribute to foreign nations when our own citizens are abundantly able to enjoy the interest on such stock. Let the people of the whole country refuse all paper money not having immediate security for the redemption of the same. Thus you will compel the moneyed institutions to become the ready purchasers of such stock.**

**In a time of peace prepare for war.**

**First, see that your government is judiciously formed, and the loan of your state based on just principles, then such government obligation is vastly more beneficial to the holder and the community than the precious metals; let such stock be the basis of your circulating medium, form new associations, and let such institutions be controlled wholly by your own classes, so that when curtailment and bankruptcy fall on other classes, your immediate interest may not be so severely disastrous.**

**Under our form of government, the credit system is the great supporter of the educated over the uneducated; I would, therefore, so base the system that every man capable of appreciating the same, may participate therein.**

**Large monopolies are always injurious, "and**

their operations a blight on the great masses." Through the present financial system of Great Britain we are made to feel these effects by the action of the Bank of England; for that institution, in self-preservation, first destroys the credit of its customers, and self-destruction necessarily must follow, through the want of its customers' support. Why should the commerce of the world submit to the dictation of the Bank of England, by allowing that institution to collect the precious metals, and in place of the same substitute its paper promises, thus making all other interests subject to its contraction and expansion? Is the Bank of England, or the British Government, more solvent than the government of the United States, and many of the state governments?

Banks of deposit should not be circulating banks.

The laboring classes should never place confidence in banks receiving deposits and making discounts, purchasing and selling exchange, and also circulating their paper credit or money, for the business of such banks is liable to fluctuation and suspension.

The paper of individual bankers, when their circulation is wholly secured by a deposit of this state stock in the hands of the Comptroller, is more solvent than any other paper money.

Let these principles extend throughout the United States, and we may form a basis that will control the credit system of the world.

Slave states not having a population participating in a credit system, must submit to the dictation of a free people through this invisible power, the almighty dollar.

PUBLIUS.

From the Evening Post, June 23d.

## LETTER VIII.

### BANKS AND CURRENCY.

Banks of deposit should not be banks of issue, or the creators of the circulating medium, such as paper money, redeemable in specie on demand.

What creates the export demand for the precious metals ?

The merchants, through their excessive importations. Then why should the laboring classes be made to suffer through such gambling operations ?

Have not the people of the United States already had sufficient experience, through the many financial revulsions of the past few years, to learn the fact, that the people of one country (by the laws governing trade) have no right to import from another country with the expectation of payments in specie ? So far as the products of one country may be exchanged for the commodities of another, so far the importing merchant may produce a healthy action in trade ; but whenever such merchants drain the country of the precious metals, they necessarily affect the value of merchandise, and thus check the the importation. It would, therefore, so base the currency, that the producers of such evils shall be made the sufferers.

Let him who would be greatest among his fellow-men, be the least, by providing them with employment, thus giving to them food and raiment ; for the man so doing, will most assuredly hold the heart's affections of the laboring classes. Then let the laboring classes sustain the circulation of that paper money, secured wholly by New-York State Stock hypothecated in the hands of the Comptroller for the redemption of the same, whereby all men may know that its redeemer liveth and issued by the parties providing them with immediate employment.

The Wall-street bankers understand the effects of these principles and their operations, and partially adopt them, whenever there arises an export demand for specie, for then they pay out no more of their paper money, but issue the paper credit of the most distant banks in the city, make no more discounts, and also certify checks, all of which is intended to guard against an immediate demand on them for the precious metals, thus making the circulating medium extremely scarce, when by the genuine laws of trade, money could not become scarce in like ratio.

The community may readily perceive by such operations how money becomes scarce, the moment that specie begins to be exported, and they never should allow such institutions to be the creators of the circulating medium.

Having once obtained a currency secured wholly, dollar for dollar, by New-York State Stock, drawing interest at the rate of six per cent., we will then find very little demand on the part of the people for specie for they will have full confidence in such paper, knowing that they can at all times receive the stock for their money.

The banks receiving and paying out such bills, will at all times prevent an immediate demand on them for specie, then we may find the utility of a New-York State Exchange Bank.

PUBLIUS.



From the Day-Book, 30th July.

## LETTER IX.

### BANKS AND CURRENCY.

**NEW-YORK STATE EXCHANGE BANK.**—The utility of an institution to control the circulating medium of this State may be illustrated by the exchange of the New-England circulating medium at the Suffolk Bank in Boston, which institution received in one day, (the 5th of July) one million of dollars; and the annual exchange business of that Bank amounts to some two hundred million of dollars.

Let a co-partnership be formed to transact and perform similar services in this State; and as the agents transacting the business of the Bank, will have large amounts of funds intrusted to them, the possession of property by the agents will not be a sufficient guarantee. They must necessarily possess the confidence of the public in their honesty, and that so well assured in this community that the City Banks will endorse their reputation, and the people generally confide in them.

Having now obtained a circulating medium secured wholly, dollar for dollar, by New-York State Stock, drawing interest at the rate of six per cent., the people will no longer require specie, having full confidence in the circulating medium, knowing that, at all times, they can obtain the stock, or its equivalent in coin, for their money.

It becomes necessary now to make some financial arrangement for a general head to control such circulating medium; and as a contraction of the currency necessarily reduces the price of merchandise, it would appear not to be for the immediate interest of the merchants to create the contraction of such circulating medium too rapidly. I would therefore adopt in the financial system of the New-York State

**Exchange Bank, a portion of that system of finance now in use by the agents of the Mint, viz :**

Let the New-York State Exchange Bank receive deposits of all New-York State Secured Bank notes, and issue their certificates of deposit for the same to the order of the depositors, subject to the usage of the Bank. Let this usage (say 5, 10, 20 or 30 days taken for collection) be perfectly understood by the depositors, through public notice given by the Bank from week to week, as the Bank may deem it expedient to vary the time taken for collection.

It may not be found advisable to require specie at all times in exchange for country money. Let New-York city funds be received in most instances—for by cramping the country finances you necessarily will reduce the volume of the circulating medium and thus depress the prices of produce and merchandise.

Such certificate of deposit when endorsed by the parties receiving the same, will form a general business currency, which no doubt, at times, the banks will deem expedient to receive on deposit, and in payment of business transactions; thus the merchants will still obtain great advantage over the "hewers of wood and drawers of water," and then have such a currency as Mr. Gallatin must advocate, it being based on New-York State Stock, and guaranteed by the integrity of those who issue it.

The Bank will so arrange the time taken for collection, that the difference in the time of receipt and payment of the funds, shall form a basis to defray the expenses of the institution; and the funds so remaining on hand, being at all times invested in United States Treasury Notes drawing interest, all parties will be perfectly satisfied as to the solvency of the institution.

It will be advisable to establish an institution on these principles, or upon some system of the kind as early as possible, or the people of the State may adopt a State Treasury system, embracing these features.

**Let these principles be introduced into our financial system and we shall hear no further complaints against the usury laws, by the Bullienists or the Note-shavers.**

**PUBLIUS.**





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